

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-08 AID-05 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01  
IO-13 EUR-12 DODE-00 PA-01 PRS-01 L-03 /108 W  
-----250252Z 077070 /72-61

R 241408Z MAR 77  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 1032  
INFO TREASURY WASHDC

C O N F I D E N T I A L MEXICO 03576

E.O.11652:GDS  
TAGS: EFIN MX  
SUBJECT: EXTERNAL BORROWING

1. SUMMARY: WHILE FOREIGN BANKERS WERE LESS THAN ENTHUSED WITH WHAT THEY HEARD AT THE MEXICAN BANKERS' CONVENTION, THEY DID INDICATE THAT A NUMBER OF FOREIGN BORROWINGS ARE TAKING PLACE. END SUMMARY.
2. FOREIGN BANKERS ATTENDING THE CONFERENCE GRUMBLED A BIT ABOUT CONTINUING UNCERTAINTIES OVER THE DIRECTION THE MEXICAN ECONOMY IS TAKING, BUT THEY ARE CONTINUING TO LEND MEXICO MONEY, THOUGH THE GLOBAL AMOUNTS CANNOT BE QUANTIFIED.
3. MEXICO HAS CONTRACTED ONLY TWO PUBLICIZED MEDIUM TERM EXTERNAL LOANS THUS FAR IN 1977. ONE IS THE \$350 MILLION EURODOLLAR CREDIT FOR PEMEX SIGNED MARCH 21. ANOTHER IS 100 MILLION D.M. MEDIUM TERM BONDS FOR NAFINSA, BEING UNDERWRITTEN BY THE DRESDENER BANK. WHILE THE PROCEEDS OF THESE LOANS ARE NOT YET AVAILABLE THERE HAVE BEEN AN UNQUANTIFIABLE NUMBER OF PRIVATELY PLACED MEDIUM TERM LOANS OF ONE KIND OR ANOTHER. REPRESENTATIVE OF A MEDIUM

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SIZED U.K. MERCHANT BANK SAID HE HAD PUT TOGETHER \$75 MILLION IN NEW CREDITS SINCE JANUARY 1, NONE OF WHICH WERE PUBLICIZED. SEVERAL BANKERS HAVE TOLD FINATT ABOUT MEDIUM TERM SUPPLIER CREDITS TO PUBLIC SECTOR ENTERPRISES WITH GOM GUARANTEES. APPARENTLY A GOM-OWNED ENTERPRISE WILL GO TO A U.S. SUPPLIER AND ASK THE SUPPLIER TO OBTAIN A MEDIUM TERM CREDIT FROM HIS U.S. BANKERS. CREDIT

IS THEN GUARANTEED BY GOM ENTITY SUCH AS NACIONAL FINANCIERA. IN SOME CASES THESE SOUND LIKE RESTRUCTURING OF DEBT. ONE U.S. BANKER TOLD FINATT THAT WHILE HE WAS UNHAPPY RE THESE LOANS, THE BANK LENDING OFFICER FOR THE U.S. CORPORATION WANTED TO HELP HIS CLIENT AND THE GOM GUARANTEE MADE THE PAPER LOOK GOOD. THERE HAS ALSO BEEN A LOT OF SHORT TERM LOAN SYNDICATION.

4. GOM IS ANXIOUS TO GET AN UNDERWRITING GROUP FOR ITS NEXT PUBLIC EURODOLLAR ISSUE AND THIS IS LIKELY TO BE ROUGHLY \$150 MILLION FOR THE PUBLIC WORKS BANK. THERE IS ALSO A BOND ISSUE FOR THE UNITED MEXICAN STATES THAT IS ABOUT READY TO BE FLOATED IN THE U.S. THE UNDERWRITER IS MERRILL LYNCH AND THIS MAY BE AN ISSUE THAT WAS ALMOST READY TO GO TO MARKET WHEN THE INITIAL DEVALUATION WAS ANNOUNCED. WE ARE NOT SURE OF THE AMOUNT, BUT DOUBT IF IT EXCEEDS \$100 MILLION.

5. DURING THE BANKERS' CONVENTION, NAFINSA'S DIRECTOR TOLD PRESS THAT MEXICO'S PUBLIC SECTOR WOULD BORROW ABOUT \$3 BILLION IN 1977 AS THIS WAS THE LIMIT IMPOSED BY THE IMF. HE WAS ALSO REPORTED AS SAYING THAT IT WOULD BORROW ANOTHER \$3 BILLION, TO COVER INTEREST AND AMORTIZATION PAYMENTS PLUS SOME FUNDING OF SHORT TERM DEBT.

6. REGARDING THE AGREEMENT WITH THE FUND, MOCTEZUMA MENTIONED THIS IN HIS SPEECH AS ONE OF THE ACCOMPLISHMENTS OF THE NEW ADMINISTRATION. ROMERO KOLBECK TOLD THE PRESS THIS WAS STRICTLY A FINANCIAL AGREEMENT THAT IT CONFIDENTIAL

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IN NO WAY INFLUENCES THE COUNTRY'S POLICY. IF THIS WERE PERMITTED, HE IS REPORTED AS SAYING, IT WOULD BE TANTAMOUNT TO LOSING MEXICO'S SOVEREIGNTY. THOMPSON

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## Message Attributes

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**Disposition Date:** 22 May 2009  
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**Review Markings:**  
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